

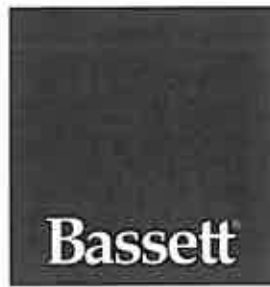


CODE OF  
**Business**

CONDUCT



**Bassett**

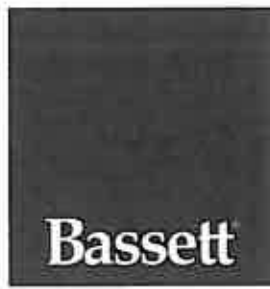


## CODE OF BUSINESS CONDUCT

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## CODE OF BUSINESS CONDUCT

This *Code of Business Conduct* provides an overview of the Company's commitment to applying high ethical standards to its business practice. It is not intended to be a comprehensive rulebook. It is intended to provide guidelines for how you perform your job responsibilities, and meet legal, professional, and ethical requirements. Integrity and a respect for people are central to our company's culture and how we represent Bassett. Each of us is responsible for upholding the company's commitment to the highest standards of business conduct.

Many of the statements made here are backed up by detailed policies and procedures. In the current working environment, however, formal policies and procedures can't always keep up with new challenges or adequately deal with complex situations. Nobody has all the answers, but the best answers evolve in an environment of open and frank discussion. Never hesitate to ask a question or report a concern.

## CONTACTS FOR BUSINESS ETHICS

### Contact Information

You may report concerns to your supervisor, any member of Bassett's Management or Human Resources team, or use the Bassett Hotline. The phone number for the Bassett Hotline is 1-800-442-0692. It's toll free and available anytime day or night.

Callers to the Hotline can even remain anonymous, if they prefer. Instead of identifying you by name, the Hotline will assign your report a number. The Bassett Hotline never uses call-tracing or recording devices, so you can even contact the Hotline from the privacy of your own home. At the end of your call, the operator will also give you a follow-up date. To learn the status of your concern, just call back after that date, and if additional information is needed from you, the Hotline operator will ask for it then.

When you call the Bassett Hotline, you will speak with a trained operator. He or she will listen to your concerns and may ask you questions to gather as much information as possible. Your issue will then be reported to the proper person with Bassett to investigate the concern and take appropriate action.

Or, you may send a letter marked "Hotline" to the attention of one of the following:

President/CEO, CAO, Vice President/General Counsel, or Human Resources Vice President  
at

P.O. Box 626  
Bassett, VA 24055

If you do not wish to remain anonymous, or have questions concerning any parts of the Code of Business Conduct, you may call the CAO at 276-629-6614, General Counsel at 276-629-6311, or Human Resources Vice President at 276-629-6393. You can discuss your concern with the CAO, General Counsel, or Human Resources Vice President without fear of any form of retaliation.

When you call, this is what you can expect:

- Your concern or question will be taken seriously.
- The Company's Legal and Human Resources departments will become involved in the process as appropriate. It is the Company's policy that Human Resources be involved in any suspected case of sexual harassment. If your concern involves a suspected illegal action, we must consult with the Company's Legal department.
- Your request for information or action will be handled promptly, discreetly and professionally. Discussions and inquiries will be kept in strict confidence to the extent appropriate or permitted by policy or law.
- Your right to remain anonymous will be respected, although you are encouraged to identify yourself. If you desire anonymity, please use the Hotline procedure outlined above.

Your most immediate resource is your manager. He or she may have the information you need, or may be able to refer the question to another appropriate source.

There may, however, be times when you prefer not to go to your manager. You may want confidential advice about a business ethics dilemma facing you. You may want more information than your manager can give you. Or you may want to report an ethical concern about your manager's conduct. You can discuss your concern with the officers listed above without fear of any form of retaliation.

## LIVING THE COMMITMENTS

### **Guidelines to Ethical Decision Making**

The Company's ability to live up to its commitments and ethical standards is directly dependent on the day-to-day choices and actions of each employee, officer and member of the board of directors. This section outlines the standard of ethical practice expected from everyone who does business in the Company's name.

### **Our Common Working Environment**

Each employee has responsibility for creating and sustaining a pleasant, secure and productive working environment – an environment in which all employees and contractors are treated fairly and with respect.

We must all strive to communicate our ideas and concerns in an honest and clear manner. We must make sure that our criticisms are both direct and constructive, and accept candid feedback from others in the same spirit. Developing our ability to resolve problems and work effectively as team members is an important and ongoing challenge.

Respect for the differences in backgrounds, experiences, perspectives, and talents that each individual employee brings to the team are a fundamental value. The Company does not tolerate discrimination, harassment or demeaning behavior against any individual or group. We recognize that there are differences among individuals and groups that go well beyond race and gender, and we are committed to the principle of inclusiveness in a broader sense. We all must learn to understand individual differences, and see how together they contribute to the creation of more innovative ideas and better solutions to problems. It is important that we can make the effort to discover how our own skills and perspectives can support this process, and to recognize our personal areas for development.

Our responsibilities to other employees also include ensuring that we do our part in maintaining corporate environmental, health and safety standards in our own workplace. One important component of health and safety standards concerns illegal drugs. Any Company employee found using, selling, or possessing illegal drugs on Company property will be subject to disciplinary action up to and including immediate termination of employment.

## **CONFLICTS OF INTEREST**

A “conflict of interest” occurs when our private interests interfere in any way – or even appear to interfere – with the interests of the Company as a whole. A conflict of interest situation can arise when we take on outside work or make a financial investment that makes it difficult for us to perform our Company work objectively and effectively. Conflicts of interest also arise when we or members of our family receive personal, unearned benefits as a result of our position in the corporation.

- Outside activities
- Offers of gifts and entertainment
- Offers of bribes and kickbacks
- Investment and securities trading
- The position or actions of family and friends

### **Outside Activities**

Company employees, officers, and members of the board of directors must not serve as directors or officers of any organization which might supply goods or services to the Company, buy goods or services from the Company, or compete with the Company, without prior approval of the General Counsel. It is not permissible for them to work as employees of or consultants to any such organizations.

There are cases, however, where Company employees start their own outside businesses, or take on additional part-time work with organizations that are neither competitors, suppliers, nor customers. This in itself does not constitute a conflict of interest. It is the employee’s responsibility to ensure that the second job does not conflict with the interest of the Company. This means, for example, ensuring that the two activities are strictly separated:

- That you do not do the other organization’s work on Company time
- That customers and colleagues from your outside facility do not contact you at the Company
- That you do not use Company equipment and supplies, nor the time of any Company personnel, for your outside work
- That you do not promote products or services from your outside business to other Company employees during working hours
- That you do not attempt to sell products or services from your outside work back to the Company

In order to avoid any uncertainty, you must let your manager know and approve of the outside work prior to commencing it.

### **Gifts and Entertainment**

The guidelines on “gifts and entertainment” apply to anything given as a result of a business relationship, for which the recipient does not pay fair market value. This includes such things as meals and beverages, travel and accommodation for business or vacation purposes,

tickets to sporting or cultural events, discounts not available to the general public, cash, art objects, and any other merchandise or services. The guidelines apply at all times; they do not change during traditional gift-giving seasons, nor during the planning of a company event.

Business gifts and entertainment are courtesies designed to build understanding and goodwill among business partners. In some cultures, they play an important role in business relationships. The problem arises when they begin to compromise – or even appear to compromise – our ability to make objective and fair business decisions. Offering or receiving any gift, gratuity, or entertainment that might be perceived to unfairly influence a business interaction involves you in a conflict of interest situation.

For this reason, Company employees must not accept gifts and gratuities from suppliers or potential suppliers, except for promotional items of limited value (such as inexpensive pens, mugs, and calendars that bear the company's name). The same standards apply to the Company's dealings with its customers: Bassett does not offer gifts and gratuities to employees of customers or potential customers, except for modest items for promotional purposes. All such gifts must be properly reported on expense statements.

Business entertainment must also be moderately scaled and clearly intended to facilitate business goals. If, for example, tickets to a sporting or cultural event are offered, then the person offering the tickets must plan to attend the event as well. As a general guideline, business entertainment in the form of meals and beverages is acceptable, as long as it is modest, infrequent, and as far as possible on a reciprocal basis.

As these guidelines cannot cover every eventuality, the responsibility is on individual employees to use good judgment. "Everyone else does it" is not sufficient justification. If you are having difficulty determining whether a specific gift or entertainment offer lies within the bounds of acceptable business practice, ask yourself these guiding questions:

- Is it clearly related to the conduct of business?
- Is it moderate, reasonable, and in good taste?
- Would I feel comfortable owning up to the giving or receipt of this gift in front of other customers and suppliers? Other employees? My manager? My family? The media?
- Do I feel any pressure to reciprocate or grant special favors as a result of this gift? (Or, conversely, am I trying to put pressure on someone else to reciprocate or grant favors?)
- Am I certain the gift does not violate any law or business regulation?

If you have any concerns or uncertainties, contact your manager.

There are some cases where refusal or an inappropriate gift would cause embarrassment and hurt to the person offering it. This is particularly true when you are a guest in another country, and the gift is something from that country offered as part of a public occasion. In these cases, the best practice is usually to accept the gift on behalf of the Company, report it to your manager, and turn it over to the Company.



In some circumstances, the Company may offer a gift as part of a public occasion. Such gifts must be approved in advance, accurately and completely accounted for, and reported on the books and records of the Company.

### **Bribes and Kickbacks**

Under no circumstances is it acceptable to offer, give, solicit, or receive any form of bribe, kickback, or inducement. This principle applies to Company transactions everywhere in the world, even where the practice is widely considered “a way of doing business”. Under some statutes (such as the U.S. Foreign Corrupt Practices Act), these are criminal actions that can lead to prosecution.

In order to ensure that agents and representatives acting on the Company’s behalf are not themselves offering or receiving bribes or kickbacks, all such arrangements must be covered by written contracts and documented in accordance with legal and accounting requirements and ethical business practices. The compensation spelled out in the contracts must be clearly commensurate with the activities undertaken. Remuneration above certain levels requires senior executive approval.

In some instances, small “facilitation payments” or tips are permissible if they are intended to secure a routine business service such as having a telephone installed or expediting a shipment through customs. These payments must be clearly and accurately reported as a business expense. You should be aware, however, that in some countries, such payments are illegal and must not be paid. If you have any doubts or questions, contact your manager or General Counsel.

### **Investments/Securities Trading**

Any direct or indirect investment in one of the Company’s competitors creates a potential conflict of interest. Company employees, officers, and members of the board of directors must not invest in or control an organization that competes with any business or activity of the corporation, without prior written permission of the Company’s corporate legal counsel – except in the case of publicly traded shares, when the investment does not exceed five percent of the issued shares. Also prohibited is investment in an organization that is or may be a supplier of goods and/or services to the Company, again with the exception for publicly traded shares, when the investment does not exceed five percent of the issue shares.

“Insider trading” means using confidential material information about the Company, its customers or suppliers to achieve an unfair advantage in the buying or selling of shares or other securities. “Material information” is usually defined as “information which, if publicly disclosed, would reasonably be expected to influence the decision of a reasonable investor to buy, hold or dispose of securities of the Company.”

Insider trading is both unethical and illegal. It is also illegal to pass on undisclosed material information to anyone, other than in the necessary course of business. Employees who involve themselves in insider trading (either by personally engaging in trading or by disclosing confidential material information to others) are subject to disciplinary action up to and including immediate termination, and prosecution.

## **Family and Friends**

While conflict of interest guidelines are not intended to unduly interfere with an employee's family or personal life, there are situations where the actions of family members and close personal friends may constitute a conflict of interest for the employees. For example, any gifts or other benefits offered to family members by suppliers or potential suppliers are considered business gifts subject to the gifts and entertainment guidelines. If your spouse, relative, or close personal friend is an employee of or has a substantial interest in a business seeking to provide goods and services to the Company, you must ensure that you do not attempt to use your position in the Company to influence the bidding process or negotiation in any way. If you are directly involved in purchasing functions, you must declare this conflict of interest to your manager immediately.

If you have a relative or friend who works for a competitor, you should make your manager aware of this situation and discuss the potential problems with him or her. If you need further advice, contact the General Counsel.

The potential for conflict of interest clearly exists if your spouse or partner also works for the Company and is in a reporting relationship to you. Employees should not supervise nor be in a position to influence the hiring, work assignments or assessments of someone with whom they have a close personal relationship.

## **SUPPLIER RELATIONSHIPS**

Our commitment to dealing fairly and honestly with suppliers means that employees responsible for buying or leasing materials and services on behalf of the Company must consciously and consistently guard their objectivity. In practice, this means that no employee will accept or solicit any benefit from a supplier or potential supplier that might compromise – or even appear to compromise—his or her objective assessment of the supplier's product and price (for more details on what might be considered a "benefit" and on gifts and entertainment in general, see Business Gifts and Entertainment). Promotional items of modest value are acceptable, as is moderately scaled entertainment within the limits of responsible and generally accepted business practices.

No Company employee will require suppliers to give up trade with our competitors, nor require suppliers to buy our products in order to retain their supply agreement with us. To avoid even the appearance of putting pressure on suppliers, no Company employee will solicit or accept gifts of merchandise or services from suppliers for Company events or charitable activities.

Company employees must respect and protect any confidential or proprietary information shared with us by a supplier. We also should not hesitate to let our suppliers know that we trust them to do likewise.

## **PROTECTING ASSETS**

Collectively, we have a responsibility to protect the Company's assets and ensure their efficient use. Theft, carelessness, and unnecessary waste have a direct impact on the Company's profitability and, ultimately, on all of our jobs.

Supplies and equipment purchased by the Company are intended to be used for Company business purposes only. Any other use – for after hours charitable work, for example – must receive prior approval from your manager. Everyone involved in operating equipment bears a responsibility for understanding its proper use and maintaining it in good condition.

Information is a key corporate asset. Inadvertent release of business or technical information to third parties may help our competitors by providing them with the technical solution to an important problem, or by allowing them to avoid costly research and development activities. If competitors gain even a very general sense of what we intend to bring to market, it may give them a head start in countering whatever advantages we might have had with our customers. The receipt of sensitive business or technical information from competitors or other industry players also carries significant risks: our own internal development activities in the area may be foreclosed. Inappropriate handling of sensitive information or original ideas provided by third parties can lead to loss of trust and liability for damages.

Employees who have access to proprietary and confidential information – which may range from engineering designs, to employee records, to data entrusted to us by a customer or competitor – must take every precaution to keep it confidential. Be very cautious in discussing company business in public – in restaurants, on airplanes, or on public pay phones. Use extra care in transmitting confidential materials via fax. And remember that our obligation to protect the Company's proprietary and confidential information continues even after we leave the Company.

Protection of Company information also means reporting information completely and accurately – be it environmental impact data, product test results, or sales projections. Trying to hide bad news through misleading figures undermines trust over the long term, and may be illegal.

The reputation of the Company, its employees and its products is also an important asset that you have a responsibility to protect.

## **GATHERING COMPETITIVE INFORMATION**

Company employees will not use improper means of gathering information about competitors. Theft, illegal entry and electronic eavesdropping are obviously unacceptable means of searching for competitive intelligence. You must not offer a bribe or a gift in exchange for competitors' information, nor solicit confidential information from a competitor's ex-employee now working for the Company. This is not a comprehensive list of unacceptable means – contact the General Counsel before receiving or using any competitive information about which there may be even the slightest question.

## USING COPYRIGHTED MATERIALS

Many materials used by Company employees in the course of their work are protected by copyright laws: computer software, books, audio and videotapes, trade journals and magazines are a few examples. Things like presentation slides, training materials, management models and problem solving frameworks produced by outside consultants or organizations may also be copyrighted. Reproducing, distributing or altering copyrighted materials without the written permission of the copyright owner or authorized agents is forbidden. Computer software licensed to the Company must not be illegally copied for personal, company or customer use.

## CUSTOMER RELATIONSHIPS

Our credibility with our customers depends on our ability to fulfill our commitments. Every time a Company employee commits to an unrealistic timetable, some hard-earned customer trust is lost. We must not make promises unless we are reasonably confident that we will be able to keep them. All sales and promotional efforts must be free from deliberate misrepresentation. If unforeseen circumstances do make it impossible to meet a commitment, we will let the customer know as soon as possible.

*Many Company employees deal primarily with "internal customers" – that is, other Company employees, functions or units. These principles apply equally to these important customer relationships.*

Our commitment to fair competition and high ethical standards forbids us from such inappropriate practices as offering to customers any benefits or rewards that violate applicable laws or responsible and generally accepted business practices. In practical terms, this means that customer entertainment is limited to what is reasonable and necessary to facilitate business discussions. Any gifts made to customers must be modest promotional items. (For more details see business gifts and entertainment).

Company employees must respect and protect confidential or proprietary information shared with us by a customer. We should not hesitate to let our customers know, in a respectful way, that we expect them to protect our confidential and proprietary information as well.

## COMMITMENTS TO STAKEHOLDERS

The Company values the contributions of all its employees and treats each individual with respect. This includes safeguarding the confidentiality of employee records; respecting employee privacy – refraining from unnecessary intrusions; and supporting as far as possible employees' work-related aspirations. As a corporation, the Company is committed to informing employees quickly and fully on issues affecting them, and listening to their ideas and concerns.

In its hiring practices, the Company will be fair and equitable. The Company seeks to create a work force that is a reasonable reflection of the diverse populations of the communities in which it operates. When the realities of the highly competitive global marketplace make it

necessary for the Company to downsize or phase out particular areas of business, the Company will respect the dignity of affected employees and ensure that they are treated appropriately.

The Company strives to provide work that is satisfying and a work environment that is safe and pleasant. The Company is committed to protecting the health and safety of its employees.

The Company is committed to the communities where its employees work and live, and strives to make those communities better through involvement in and contributions to educational, charitable and cultural programs and institutions.

## **GLOBAL COMMUNITY**

### **Accountability**

All business transactions must be accurately and completely accounted for and reported on the books and records of the Company. All travel and expense claims submitted by Company employees must be justified and accurate.

The Company strives to meet reasonable requests for information. The Company reports on activities and performance, and shares information about its business ethics standards. It maintains close and honest relationships with the financial community and the media, regularly and willingly informing them about significant developments (subject to applicable laws regarding disclosure). It provides accurate and complete information in a format that is meaningful and easy to understand.

Some information, however, must remain confidential in order to protect the Company's competitive position and to comply with applicable agreements and laws. Proprietary information such as trade secrets, product plans, financial information prior to public disclosure, our technology, and software code often falls in the category of Company property that must be protected. For more on proprietary information, see "Protecting Assets".

### **Compliance with the Antitrust Laws**

While all laws applicable to the Company's business are to be obeyed, good citizenship requires that particular care be given to compliance with the antitrust laws. U.S. antitrust laws may apply even to foreign transactions, and many foreign countries have similar requirements. It is fundamental that the Company will independently and without collusion with third parties determine the prices at which, and the terms and conditions upon which, the Company will do business.

Agreements, whether written or oral, with competitors to fix prices, allocate customers or divide markets are illegal. To avoid any implication of an illegal conspiracy, Company personnel should avoid contact with representatives of competitors whenever possible. When such contact cannot be avoided, communications concerning prices, terms or conditions of sale, market shares, or bidding or refusing to bid on a job are strictly prohibited.

No employee should attempt to fix the prices at which a customer resells the Company's products. No employee should attempt to restrict the territory within which a customer may resell the Company's products, without first consulting with Bassett's General Counsel.

The Company is generally free to select its own customers and suppliers, but it must do so independently. Any formal or informal agreement with a third party to do business or refrain from doing business with a particular customer or supplier is prohibited.

### **Protection and Enhancement of the Environment**

The Company is committed to being a leader in protecting and enhancing the environment. Wherever the Company does business, it takes the initiative to develop innovative solutions to environmental issues that may arise because of its products, operation, and business activities. Its Environmental Management Policy sets minimum requirements for sound environmental management practices.

The Company works with its customers and suppliers, industry associations, educational institutions, and government agencies throughout the world to promote the development and dissemination of innovative solutions to industry-related environmental issues.